

# Legal Assistance Resource Center ♦ of Connecticut, Inc. ♦

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## **S.B. 705 -- Foreclosure rescue services**

Housing Committee public hearing -- February 19, 2009  
Testimony of Raphael L. Podolsky

<p><u>Recommended Committee action:</u> <b>APPROVAL OF THE BILL</b></p>
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Foreclosure rescue services are businesses that promise to save a person's home from foreclosure. Many of these businesses, however, do little more than take the person's money and produce no results, and the homeowner ends up in foreclosure anyway. Sometimes the promised services are not provided at all. Sometimes success in saving the home is promised in circumstances that are obviously hopeless. Sometimes deceptive sales tactics are used. Sometimes owners are offered a bailout arrangement under which, they believe, they will keep the house when in fact the papers they sign turn ownership over to the rescue servicer. There is much creativity in the practices of many of those that offer this service.

This bill limits the business of "debt reduction services," which includes "foreclosure rescue services," to non-profit entities, just as the debtor adjustor business is limited to non-profit entities under General Statutes Section 36a-656. It requires the reduction services to make an individualized assessment, before the contract is signed, of the likelihood that services will succeed; gives the borrower a three-day right to cancel the contract; and prohibits the reduction service provider from collecting payment until after the service has been provided. This latter rule is the same as the existing rule for payment to credit clinics. The bill gives enforcement power to the Banking Commissioner, including the power to review the reasonableness of fees.

We support its passage.